# BRICS: it makes sense to speak of emerging powers?

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THE "BRICS" CONCEPT is now often associated with the idea that Western capitalism is on the wane and that economic power is being "re-balanced" to the benefit mainly of Asia and, particularly, of the big "Emerging Powers" – Brazil, Russia, India, China and South Africa. But the present difficulties and impasses of the BRICS economies are a clear sign that, far from imposing their power or becoming "decoupled" from the Euro-American markets, their future prosperity is still very much dependent on the decisions the Western world is taking to manage the global crisis.

## An economic boom heavily dependent on Western markets

BRICS today is mostly an acronym that lumps together a very heterogeneous group of countries with mostly incompatible interests. There is still no congenial vision about how the world should or could be run, just an agreement that serves each member's own push for more "voice" in international decision-making processes. Moreover, Russia looks like the odd men out – less an "emerging" than a "submerging" former superpower – and South Africa has been recently added to the group more for political expediency and political correctness than economic reasons. Actually, only Brazil, India and China – "BIC" – can more probably be defined as Emerging Powers. However, this definition has nothing to do with military hard power. Even China or India, which have substantial military capabilities, have still a very long way to go before becoming significant global contenders in this domain. The fact is that the emergence of the BIC countries is essentially linked to their economic successes. But these impressive attainments during the pre-Lehman Brothers decade of "happy globalization" are closely associated with these economies' cozy integration into the global production chains of value, consumer markets and financial system. Schematically, Brazil did fine, mostly because of the boom and high prices of its commodities exports, a large part of which (iron ore and soya) was shipped to feed China's economic engine. The surpluses engendered by this raw materials bonanza allowed the successful social policies of the Cardoso and Lula governments, which boosted Brazil's domestic market. China thrived mainly because it carved an extremely profitable "niche" inside the global chains of value, assembling industrial goods for export. The Chinese machine imports raw materials from Latin America, Africa or the Middle East, and components and technologies from South East Asia, South Korea, Japan, Germany or the United States. Then Western, Japanese, Taiwanese and some mainland Chinese companies assemble these elements into very competitive finished products – thanks to a cheap labor force – that are mostly sold in Europe and the US. India has benefited from the outsourcing to low-wage environments of many services sectors indispensable for the workings of the global economic conveyor-belt – another "niche" strategy. All this mass of final products churned out by the planetary transnational chains of value has to be bought somewhere. In current dollar prices, the US and European markets represent around two thirds of the world's final private consumption, while China, for example represents around 4%!

The uncomfortable truth is that we are not entering a multipolar world but a growing and strongly interdependent world. We are living now in a planetary economy steered by a transnational production and financing logic, which rests on the Euro-American consumers' appetite, the shifting strategies of global corporations and on the well functioning of the integrated global financial markets, heavily dependent on the liquidity and financial "deepness" provided mainly by Wall Street and the City of London. This new global production logic, coupled and promoted by the twin revolutions in Information and Communications Technology (ICT) and transports, has substantially clipped the power and elbowroom of national governments, including the most powerful ones. In fact, governments are becoming, more and more, "local managers" of a "global logic" where "a-national" networks of non-governmental actors are proliferating (transnational firms, investors, media, NGOs and international institutions, "sub-national" authorities, criminal networks, etc).

## BRICS: the next "bubble"?

To pursue their economic growth strategies, a *sine qua non* condition for their "emergence", BRICS have a huge stake in keeping this global economic bicycle running. The fact that European and American consumers buy less and save more is having brutal consequences down the geo-economic production line. China, India and Brazil's economies have been struggling to try to prevent a significant slowdown that has picked up pace since the end of 2011.

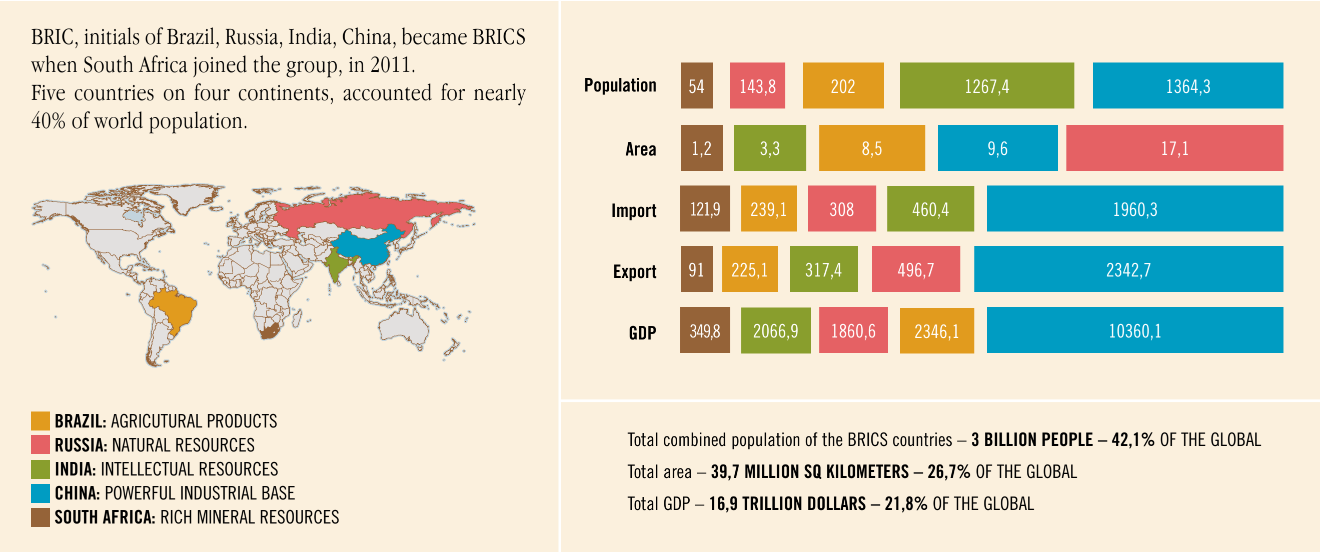
One should never forget that it is much easier to grow from 0 to 100, than to expand from 100 to 110. The first phase can benefit from heavy, and sometimes authoritarian, government intervention. The second part – a jump in innovative and value-added products and processes – is heavily dependent on private entrepreneurship and creative freedom for individuals, particularly in a global economy driven by competition and innovation. Brazil is in danger of getting hooked to commodities boom and bust cycles, like in colonial times, while its industries and services are rapidly losing their competitiveness. Russia, with its huge internal imbalances – demography being one of the most intractable –, its frozen political system and its massive reliance on export of hydrocarbons, is extremely vulnerable to the ongoing natural and shale gas revolution – and has to cope with Western sanctions as a consequence of its adventurism in Ukraine. India, in spite of the new government of Narendra Modi, is struggling to survive the global credit crunch and alarming slowdown of its globalized service sector. Indian elite still cannot muster the will to tackle seriously the country's most intractable challenges: mass poverty and an appalling lack of modern infrastructure.

> "In a globalized world, "hard power" does not equate with omnipotence."

China for its part, is suffering a slackening of pace in its domestic economic growth. The formidable imbalance between investment and consumption has been feeding a dangerous financial bubble. China's industrial "niche" is still impressive but it is being eroded not least by raising domestic wages and the advent of new production technologies – like "3-D Printers", advanced automation, "Big Data", or new cooperative "on-line" techniques for managing innovation and productive processes – which are threatening the present model of transnational production chains of value. The much-talked solution of developing its internal market is still blocked by a cantankerous conundrum: there will be no domestic private consumption boost without a serious liberalization of credit. But credit control is now the core foundation of the Communist Party's hold on power. In fact, the tension between the national power logic and dependency on the global economy is putting a heavy strain on the sustainability of all BRICS development models.

## The American Executive Branch as guarantor of last resort

"Global players" need sustainable economic achievements. But to succeed, "emerging powers" have to accept being closely integrated in an interdependent global economy, which heavily constrains their space and capacity to act as independent players. On one hand, BRICS are pushing for being recognized as equal partners at the




**BRICS countries: facts and figures.**
Fonte: http://www.brics-info.org/wp-content/uploads/2015/07/BRICS-Infographics.png.

highest levels of the international decision-making institutions. On the other hand, they reject the idea of being constrained by these same institutions since it could become a drag on their "national" rise to power – the argument being that they cannot be committed by rules or an order created by others before they got involved. This tension is clearly apparent in the G-20 process. Since it's re-launching after 2008, all the participant emerging economies have dutifully subscribed, in every preamble of the Summits' final declarations, to the whole catechism summarizing the fundamentals of the present global liberal order. But their contributions in terms of proposals or new ideas about how to tackle the global crisis and how to organize the world order is close to nil. No wonder the "old" G-7 of Western industrialized states is rising again from the ashes of this lack of concrete implication of the emerging countries in the nuts-and-bolts of crisis management.

With nobody able to solve its domestic problems alone, "multilateralism" and world "governance" is the new catch-concept. A world "government" being clearly a non-starter, the problem is always coated in layers of intergovernmental cooperation between sovereign states. But still, it won't work without a guarantor of last resort. Someone or something with enough "hard power" is needed to safeguard the basic elements of the current functioning of the global economy: the safety and constant modernization of open global communications; the security of space-based capabilities and global maritime commercial flows; the protection of oil production and flows from the Gulf; a huge capital market sustaining the global financial system; a reserve currency of last resort… Like it or not, the global buck stops in the United States or, more precisely, in the US Executive Branch (White House, Pentagon, Treasury, Intelligence Agencies, Departments of State…), which today does not always reflect pure "American" interests. The US Administration, besides its national "constituencies", has to serve a much larger one, made of "globalized" domestic players and foreign interests.

But in a globalized world, "hard power" does not equate with omnipotence. Washingtonian power is essentially conservative: keeping the present liberal paradigm from sinking. Unfortunately, short of finding new and immediate sources of dynamic economic global growth, the current "solution" is a huge destruction of physical and human capital – a huge fall in production capacities and demand – so a new cycle of strong reconstruction growth can be relaunched. But who is going to pay the bill? There will be winners and losers, and that is the core puzzle that the present multilateral dialogues and negotiations are supposed to crack. Under Washington's ultimate umbrella, cooperation between the twenty or so biggest economies is essential. But the end result will reflect each player's economic and political power, as well as its willingness to accept responsibilities in building a new global growth strategy and protecting it against those who perceive themselves as losers.

## The limits of "lucrative multilateralism"

But how the Emerging Powers are playing their cards in the messy negotiations of this "Global New Deal"? BRICS countries want "voice", not "change". They are not fighting for another "order" but only to acquire the political tools to better defend their own national interests inside the present framework, which by the way they are not ready to become responsible for. Brazil, Russia, India and China have very different strategic interests and their national agendas are, most of time, competing with one another. A permanent political group serves them well every time they decide to join forces on some very specific single issue where they can exercise a veto power. This grouping does not seriously enhance integration between its member countries; it is essentially a "power-multiplier" lever for each member to pursue its own national agenda. Multilateralism as "lucrative multilateralism"[1].

It is quite obvious that the big emerging countries – or should we say "governments"? – will play a growing part in international affairs. But for the time being, they will act more like powerful reluctant followers than leaders or co-leaders. The great paradox of an interdependent world without "government" is that rules-based "governance" requires a public actor willingly and capable of defending and underwriting the basic implementation of these rules. The US Executive Branch is the closest thing available today to take on that task, even if it is not always enchanted by or ready to accept this role. All other important players – European and Emerging – will have to answer a simple question: are they ready to build capabilities and the will to take on this kind of responsibility or will they just content themselves with remaining grumbling free-riders of US "Executive" power? The answer will make the difference between "rule-makers" and "rule-takers". Emerging Powers have learned that "if you're not at table, you are on the menu". But they still have to learn that when you sit at the table, you also have to buy the food, do the cooking and wash the dishes.

**Notas**

[1] Holslag J. 2006. 'The EU and China: the Great Disillusion,' *BICCS Asia Paper*, 1 (3) (5 Nov): 1-15.